

UTELITE CORPORATION

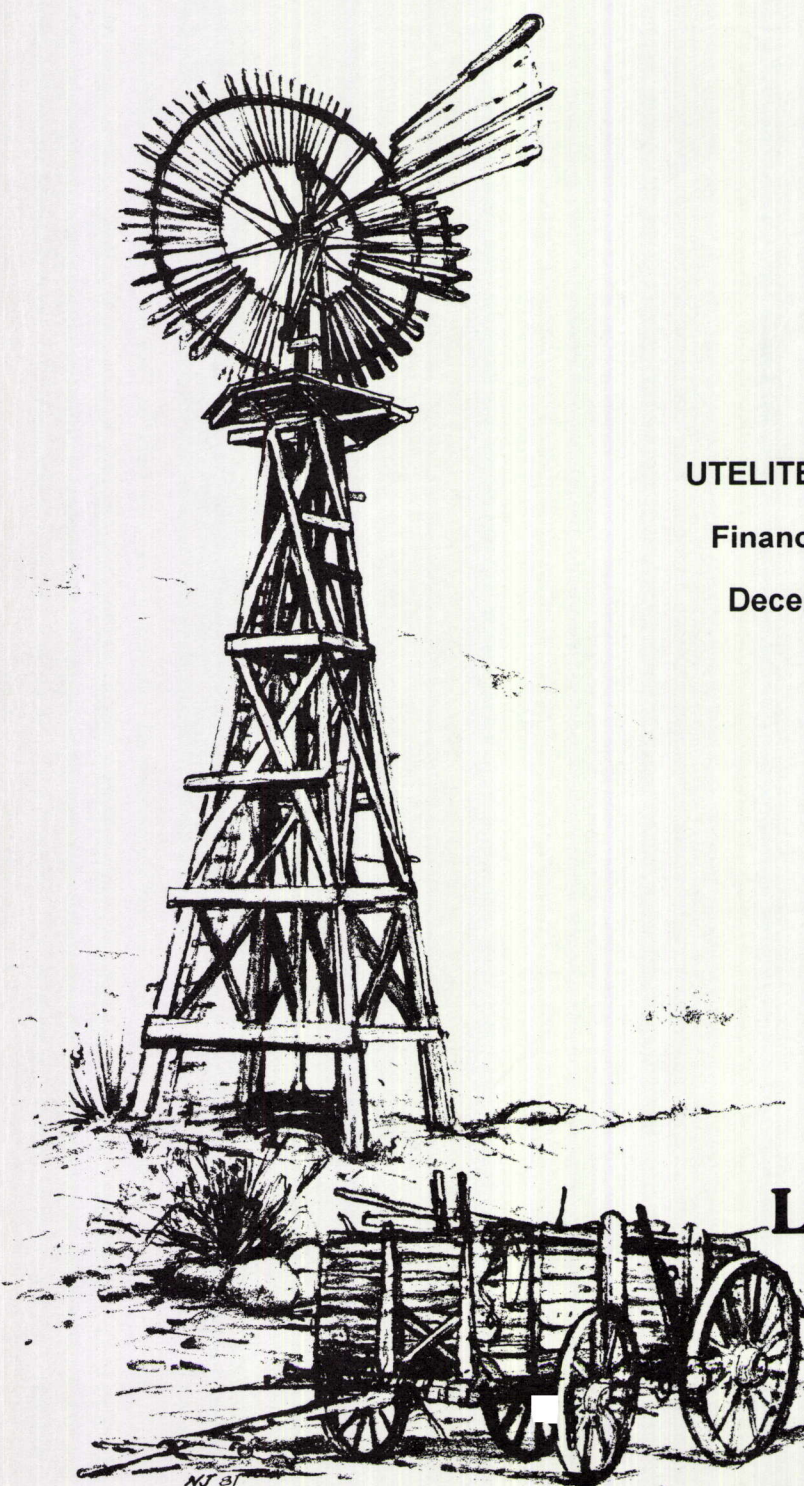
Financial Statements

December 31, 1994

Lynn M. Carlson & Co.

CERTIFIED PUBLIC ACCOUNTANTS

175 SOUTH MAIN STREET
SUITE 250
SALT LAKE CITY, UTAH 84111
TELEPHONE (801) 531-1317



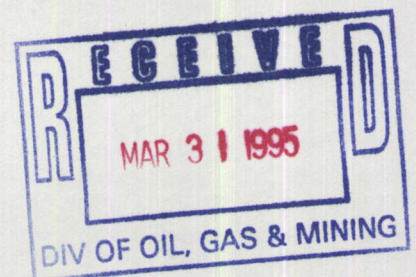
UTELITE CORPORATION

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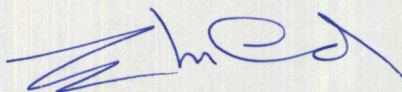
To the Board of Directors
UTELITE CORPORATION
Coalville, Utah 84017

We have reviewed the accompanying statement of assets and liabilities--income tax basis of **UTELITE CORPORATION** (an S corporation) as of December 31, 1994, and the related statements of revenues and expenses--income tax basis, retained earnings--income tax basis and cash flows--income tax basis for the year then ended, in accordance with standards established by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the owner of **UTELITE CORPORATION**.

The financial statements have been prepared on the accounting basis used by the Company for federal income tax purposes, which is a comprehensive basis of accounting other than generally accepted accounting principles.

A review consists principally of inquiries of Company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with the income tax basis of accounting, as described in Note A.



LYNN M. CARLSON & CO.

March 31, 1995

UTELITE CORPORATION
STATEMENT OF ASSETS, LIABILITIES & EQUITY—INCOME TAX BASIS
December 31, 1994

ASSETS

CURRENT ASSETS

Cash	\$	144,677.57
Trade Accounts Receivable		564,063.62
Material Inventory		155,700.00
Notes Receivable—Current		6,977.64
Notes Receivable Shareholders—Current		<u>3,500.00</u>

TOTAL CURRENT ASSETS **874,918.83**

PROPERTY AND EQUIPMENT

Land	318,486.49
Buildings, Structures & Land Improvements	352,747.72
Plant Machinery & Equipment	2,855,625.76
Pollution Control Equipment	235,854.11
Machinery	751,266.17
Autos, Trucks, Trailers	67,198.56
Office Equipment	59,875.24
Less Accumulated Depreciation	<u>(3,155,219.70)</u>
	1,485,834.35

OTHER ASSETS

Notes Receivable—LT	14,909.58
Notes Receivable Shareholders—LT	158,729.04
Assets in Progress	<u>233,836.26</u>
	<u>407,474.88</u>
	<u>\$ 2,768,228.06</u>

See accountant's report and notes to financial statements.

UTELITE CORPORATION
STATEMENT OF ASSETS, LIABILITIES & EQUITY--INCOME TAX BASIS
December 31, 1994

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

Accounts Payable	\$	145,517.06
Accrued Payroll Taxes		9,313.20
Notes Payable--Current		<u>160,725.70</u>

TOTAL CURRENT LIABILITIES **315,555.96**

LONG TERM LIABILITIES

Notes Payable--LT		<u>11,691.01</u>
		11,691.01

327,246.97

STOCKHOLDERS' EQUITY

Common Stock, Par Value \$1.00		164,758.00
500,000 Shares Authorized		
164,758 Shares Issued, of which		
49,370 are held in Treasury		
Premium on Capital Stock		235,415.30
Treasury Stock		(49,370.00)
Retained Earnings		<u>2,090,177.79</u>

2,440,981.09

\$ 2,768,228.06

See accountant's report and notes to financial statements.

UTELITE CORPORATION
STATEMENT OF REVENUE AND EXPENSES--INCOME TAX BASIS
For the year ended December 31, 1994

SALES	\$ 4,136,971.05
COST OF SALES	
Inventory Adjustment & Purchases	44,455.45
Compensation of Officers	108,260.56
Direct Labor	589,149.93
Plant Power & Utilities	120,158.44
Kiln Fuel	465,859.88
Delivery Expense	1,247,786.60
Small Tools	3,450.11
Supplies	24,135.81
Repairs & Maintenance	364,248.37
Fuel & Oil	73,742.87
Raw Material Royalties	27,691.39
Lab & Testing	1,778.00
	<u>3,070,717.41</u>
GROSS PROFIT	1,066,253.64
EXPENSES	
Marketing & Promotions	23,808.94
Employee Benefits	109,848.60
Payroll Taxes	74,766.08
Advertising	10,239.88
Travel & Sales	12,969.42
Insurance	11,977.89
Telephone	14,533.49
Legal & Professional	50,897.99
Office Supplies & Postage	15,982.31
Taxes & Licenses	47,442.95
Auto Allowance & Expense	10,197.74
Miscellaneous & Bank Charges	7,317.06
Dues & Subscriptions	7,186.84
Training	1,431.06
Depreciation	289,312.67
Management & Accounting	44.71
Rents & Leases	9,296.25
Air Pollution Control	6,661.03
MSHA	1,465.00
ESCSI	10,683.34
Depletion	76,554.34
	<u>792,617.59</u>
INCOME FROM OPERATIONS	273,636.05
OTHER INCOME (EXPENSE)	
Interest & Dividend Income	17,747.24
Interest Expense	10,547.23
	<u>7,200.01</u>
NET INCOME	\$ 280,836.06

See accountant's report and notes to financial statements.

UTELITE CORPORATION
STATEMENT OF CASH FLOWS—INCOME TAX BASIS
For the year ended December 31, 1994

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from customers	\$ 4,117,548.20
Interest and dividends received	17,747.24
Cash paid to suppliers and employees	(3,469,371.33)
Interest paid	<u>(10,547.23)</u>

NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES **655,376.88**

CASH FLOWS FROM INVESTING ACTIVITIES:

Cash payments for the purchase of property	<u>(671,608.17)</u>
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NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES **(671,608.17)**

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from issuance of common stock	10,121.60
Net borrowings on line of credit	150,000.00 X
Principal payments on long-term debt	0.39
Dividends paid	<u>(318,333.34)</u>

NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES **(158,211.35)**

NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS **(174,442.64)**

CASH AND EQUIVALENTS, BEGINNING OF YEAR **319,120.21**

CASH AND CASH EQUIVALENTS, END OF YEAR **\$ 144,677.57**

See accountant's report and notes to financial statements.

UTELITE CORPORATION
STATEMENT OF CASH FLOWS--INCOME TAX BASIS
For the year ended December 31, 1994

**RECONCILIATION OF NET INCOME TO NET CASH
PROVIDED BY OPERATING ACTIVITIES:**

Net Income	\$	280,836.06
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization		365,867.01
(Increase) decrease in accounts receivable		(19,422.85)
(Increase) decrease in inventories		33,291.06
(Increase) decrease in other assets		1,008.03
Increase (decrease) in accounts payable		(6,202.04)
Increase (decrease) in accrued liabilities		<u>(0.39)</u>
Total adjustments		<u>374,540.82</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$	<u>655,376.88</u>

See accountant's report and notes to financial statements.

UTELITE CORPORATION
STATEMENT OF RETAINED EARNINGS—INCOME TAX BASIS
For the year ended December 31, 1994

ACCUMULATED ADJUSTMENTS ACCOUNT

Balance, January 1, 1994	\$ 1,154,961.48
Taxable Income	280,836.06
Distributions	<u>(307,416.67)</u>
Balance, December 31, 1994	1,128,380.87

PREVIOUSLY TAXED INCOME

Balance, January 1, 1994	22,407.87
Distributions in Excess of the Accumulated Adjustments Account	<u></u>
Balance, December 31, 1994	22,407.87

OTHER RETAINED EARNINGS

Balance, January 1, 1994	873,751.38
Additions to Allowance for % Depletion	<u>76,554.34</u>
Balance, December 31, 1994	<u>950,305.72</u>

TOTAL RETAINED EARNINGS, DECEMBER 31, 1994	<u>\$ 2,101,094.46</u>
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See accountant's report and notes to financial statements.

UTELITE CORPORATION
Notes to Financial Statements
(See Accountant's Report)

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Income Tax Basis of Accounting

The Company's policy is to prepare its financial statements on the income tax basis of accounting; consequently, the Company recognizes depletion expense as the greater of cost depletion or statutory depletion. Under generally accepted accounting principles, only cost depletion is acceptable.

Income Taxes

The Company has elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code. Under those provisions, the Company does not pay federal or state corporate income taxes on its taxable income. Instead, the stockholders are liable for individual federal and state income taxes on their respective shares of the Company's taxable income.

Allowance for Doubtful Accounts

No reserve for bad debt has been established by the Company. Historically, uncollectible accounts receivable have not been significant enough to warrant establishing a reserve. Bad debts are written off as it becomes evident that they are uncollectible; any recoveries are included in income when received.

Inventories

Inventories are valued at the lower of cost or market under the first-in, first-out, (FIFO) method. Cost is determined using the Internal Revenue Code's guidelines with respect to uniform capitalization of inventory.

Depreciation

Property, plant and equipment are carried at cost. Depreciation is provided over the estimated useful lives of the related assets using the accelerated cost recovery system and the modified accelerated cost recovery system required by the Internal Revenue Code.

Cash

For purposes of the statement of cash flows, the Company includes only cash on deposit and similar demand deposits that are not subject to withdrawal restrictions or material penalties as cash and cash equivalents.

NOTE 2--PROFIT SHARING PLAN

The company maintains a profit sharing plan for its employees. Contributions to the plan are based on eleven cents (\$.11) per yard of product sold in the quarters that the Company is profitable, an additional \$.0225 per yard of product sold and \$.0225 per ton of product mined are contributed to the profit sharing plan regardless of whether the company is profitable or not.

UTELITE CORPORATION
Notes to Financial Statements
(See Accountant's Report)

Profit sharing contributions expensed as an employee benefit in these financial statements are \$30,109.67.

The company also provides a fringe benefit cafeteria plan for its employees.

NOTE 3--NOTES PAYABLE

Notes payable at December 31, 1994 are as follows:

A note payable due the LDS Church, incurred January 13, 1993 as a result of the purchase of land. The note has a three-year term, annual payments of \$12,743.20 each and bears an interest rate of 9%. The note is secured by the land purchased.

1994

\$11,691.01

NOTE 4--CONTINGENT LIABILITIES

Three years ago a lawsuit was brought against Summit County and Summit County Planning Commission by various residents of Echo, Utah for improperly issuing a permit to the Company allowing them to build a rail loading facility in a certain location. In 1994, the Company was named as a defendant in that lawsuit. The Plaintiffs seek to force the Company to relocate their rail loading facility. A jury trial on this matter is currently scheduled for June, 1995.

Although no assurances can be given as to the outcome, the Company believes that it has meritorious defenses to such lawsuit. If the Company does not prevail in this action, the Company could be forced to move their current rail loading facility. The financial impact of such a decision could have an adverse effect on the Company's operations. Product shipped by the Company via rail accounts for approximately 24% of their total sales. Other forms of transporting their product would make it more difficult for the Company to compete in out-of-state markets and may restrict the geographic locations of possible customers. Any costs or potential losses of sales cannot be determined at this time. The financial impact of an adverse determination in this matter will be reflected in the period of determination.